

CORNING MUNICIPAL UTILITIES
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

CORNING MUNICIPAL UTILITIES

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CORNING MUNICIPAL UTILITIES
Officials
December 31, 2020

<u>Trustees</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Smith	Chairperson	December 31, 2021
Matt Peterson	Vice Chairperson	December 31, 2024
Linda England	Secretary	December 31, 2025
Kelly Herring	Treasurer	December 31, 2022
Scott Akin	Trustee	December 31, 2023
<u>Management Personnel</u>		
Tim Larsen	General Manager	Indefinite
Angie Johnston	Office Manager	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Corning Municipal Utilities
Corning, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Corning Municipal Utilities (a component unit of the City of Corning, Iowa) which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Corning Municipal Utilities

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Corning Municipal Utilities as of December 31, 2020 and 2019 and the respective changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Budgetary Comparison Schedule, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities' Contributions on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Utilities has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2021 on our consideration of Corning Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Corning Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Corning Municipal Utilities' internal control over financial reporting and compliance.

James W. Hall, CPA, Kohn & Co. P.C.

Atlantic, Iowa
April 28, 2021

CORNING MUNICIPAL UTILITIES
Statements of Net Position
December 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Electric	Water	Gas
Capital Assets - net of depreciation	\$ 2,039,792	\$ 5,232,323	\$ 426,185
Special Purpose Funds:			
Restricted funds	42,275	2,122,141	920
Board designated funds	117,288	167,637	--
Total special purpose funds	159,563	2,289,778	920
Current Assets:			
Cash	1,626,913	369,278	623,638
Certificates of deposit	235,395	--	151,663
Accounts receivable	68,436	27,318	26,129
Other accounts receivable	--	--	--
Unbilled revenues	145,984	55,180	106,374
Inventory	75,766	51,780	28,240
Prepaid expenses	11,364	24,964	7,608
Accrued interest receivable	364	--	1,447
Total current assets	2,164,222	528,520	945,099
Other Assets:			
Interfund receivable	3,002,640	--	157,195
Unamortized debt issuance costs	--	4,220	--
Intangibles	45,000	--	--
Total other assets	3,047,640	4,220	157,195
Total assets	7,411,217	8,054,841	1,529,399
Deferred Outflows of Resources - Pension	52,300	37,600	34,800
Total assets and deferred outflows of resources	\$ 7,463,517	\$ 8,092,441	\$ 1,564,199

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Long-Term Debt, less current maturities	\$ --	\$ 2,224,350	\$ --
Unearned Revenue	--	233,671	--
Net Pension Liability	155,300	112,400	102,600
Current Liabilities:			
Current maturities of long-term debt	--	115,000	--
Accounts payable	56,362	37,093	68,855
Accrued employee compensation	18,664	9,332	9,332
Accrued expenses	8,520	3,303	4,882
Accrued interest	--	11,594	--
Total current liabilities	83,546	176,322	83,069
Other Liabilities:			
Interfund payable	--	3,159,835	--
Consumer deposits	42,275	350	920
Total other liabilities	42,275	3,160,185	920
Total liabilities	281,121	5,906,928	186,589
Deferred Inflows of Resources - Pension	24,900	18,000	16,700
Net Position:			
Invested in capital assets, net of related debt	2,084,792	4,613,309	426,185
Unrestricted	5,072,704	(2,445,796)	934,725
Total net position	7,157,496	2,167,513	1,360,910
Total liabilities, deferred inflows of resources, and net position	\$ 7,463,517	\$ 8,092,441	\$ 1,564,199

The accompanying notes are an integral part of these statements.

Sewer	Garbage	Total
\$ --	\$ --	\$ 7,698,300
--	--	2,165,336
--	--	284,925
--	--	2,450,261
2,273	21,635	2,643,737
--	--	387,058
31,176	13,693	166,752
--	--	--
--	--	307,538
--	--	155,786
--	--	43,936
--	--	1,811
33,449	35,328	3,706,618
--	--	3,159,835
--	--	4,220
--	--	45,000
--	--	3,209,055
33,449	35,328	17,064,234
--	--	124,700
<u>\$ 33,449</u>	<u>\$ 35,328</u>	<u>\$ 17,188,934</u>
\$ --	\$ --	\$ 2,224,350
--	--	233,671
--	--	370,300
--	--	115,000
26,500	17,126	205,936
--	--	37,328
--	--	16,705
--	--	11,594
26,500	17,126	386,563
--	--	3,159,835
--	--	43,545
--	--	3,203,380
26,500	17,126	6,418,264
--	--	59,600
--	--	7,124,286
6,949	18,202	3,586,784
6,949	18,202	10,711,070
<u>\$ 33,449</u>	<u>\$ 35,328</u>	<u>\$ 17,188,934</u>

CORNING MUNICIPAL UTILITIES
Statements of Net Position
December 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>
Capital Assets - net of depreciation	\$ 2,116,236	\$ 5,226,286	\$ 448,735
Special Purpose Funds:			
Restricted funds	44,370	480	870
Board designated funds	650,676	249,362	367,510
Total special purpose funds	695,046	249,842	368,380
Current Assets:			
Cash	601,079	272,934	269,855
Certificates of deposit	636,421	--	150,000
Accounts receivable	85,751	29,215	46,826
Other accounts receivable	--	--	9,393
Unbilled revenues	137,429	48,345	89,530
Inventory	87,200	50,893	27,918
Prepaid expenses	10,881	24,079	6,215
Accrued interest receivable	2,444	--	--
Total current assets	1,561,205	425,466	599,737
Other Assets:			
Interfund receivable	2,564,404	--	42,891
Other	1,636	8,437	--
Intangibles	45,000	--	--
Total other assets	2,611,040	8,437	42,891
Total assets	6,983,527	5,910,031	1,459,743
Deferred Outflows of Resources - Pension	52,300	37,600	34,800
Total assets and deferred outflows of resources	<u>\$ 7,035,827</u>	<u>\$ 5,947,631</u>	<u>\$ 1,494,543</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Long-Term Debt, less current maturities	\$ --	\$ 516,000	\$ --
Unearned Revenue	--	350,507	--
Net Pension Liability	155,200	112,400	102,500
Current Liabilities:			
Current maturities of long-term debt	--	247,000	--
Accounts payable	50,226	58,434	57,860
Accrued employee compensation	21,726	10,863	10,863
Accrued expenses	7,033	4,199	5,949
Accrued interest	--	1,134	--
Total current liabilities	78,985	321,630	74,672
Other Liabilities:			
Interfund payable	--	2,607,295	--
Consumer deposits	44,370	480	870
Total other liabilities	44,370	2,607,775	870
Total liabilities	278,555	3,908,312	178,042
Deferred Inflows of Resources - Pension	11,200	8,200	7,600
Net Position:			
Invested in capital assets, net of related debt	2,162,872	4,121,216	448,735
Unrestricted	4,583,200	(2,090,097)	860,166
Total net position	6,746,072	2,031,119	1,308,901
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,035,827</u>	<u>\$ 5,947,631</u>	<u>\$ 1,494,543</u>

The accompanying notes are an integral part of these statements.

Sewer	Garbage	Total
\$ --	\$ --	\$ 7,791,257
--	--	45,720
--	--	1,267,548
--	--	1,313,268
6,098	21,389	1,171,355
--	--	786,421
32,804	14,519	209,115
--	--	9,393
--	--	275,304
--	--	166,011
--	--	41,175
--	--	2,444
38,902	35,908	2,661,218
--	--	2,607,295
--	--	10,073
--	--	45,000
--	--	2,662,368
38,902	35,908	14,428,111
--	--	124,700
<u>\$ 38,902</u>	<u>\$ 35,908</u>	<u>\$ 14,552,811</u>
\$ --	\$ --	\$ 516,000
--	--	350,507
--	--	370,100
--	--	247,000
31,953	17,706	216,179
--	--	43,452
--	--	17,181
--	--	1,134
31,953	17,706	524,946
--	--	2,607,295
--	--	45,720
--	--	2,653,015
31,953	17,706	4,414,568
--	--	27,000
--	--	6,732,823
6,949	18,202	3,378,420
6,949	18,202	10,111,243
<u>\$ 38,902</u>	<u>\$ 35,908</u>	<u>\$ 14,552,811</u>

CORNING MUNICIPAL UTILITIES
Statements of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>
Operating Revenues:			
Residential sales	\$ 816,577	\$ 549,598	\$ 305,158
Commercial sales	435,364	300,888	229,805
Public authority sales	535,121	54,953	105,677
SIRWA revenue	--	116,836	--
Other miscellaneous	<u>3,379</u>	<u>1,476</u>	<u>--</u>
Total operating revenues	1,790,441	1,023,751	640,640
Operating Expenses:			
Purchased energy	587,723	--	303,295
Operations and maintenance	174,635	301,072	37,976
Customer records and collections	3,000	--	9,000
Sales and use taxes	704	--	1,060
Payroll and payroll taxes	445,600	115,631	183,875
Office expense	8,094	7,633	7,535
Outside services employed	8,107	240,659	9,693
General insurance	19,156	20,972	20,972
General administration	21,577	11,190	14,159
Depreciation	<u>129,881</u>	<u>222,875</u>	<u>22,550</u>
Total operating expenses	1,398,477	920,032	610,115
Operating Income	391,964	103,719	30,525
Non-Operating Revenues (Expenses):			
Income from merchandising and custom work, net	13,890	1,780	450
Interest income	14,444	1,530	7,082
Interest expense	--	(19,043)	--
Other	<u>(8,874)</u>	<u>48,408</u>	<u>13,952</u>
Non-Operating Revenues, net	19,460	32,675	21,484
Changes in Net Position	411,424	136,394	52,009
Net Position, Beginning of Year	<u>6,746,072</u>	<u>2,031,119</u>	<u>1,308,901</u>
Net Position, End of Year	<u>\$ 7,157,496</u>	<u>\$ 2,167,513</u>	<u>\$ 1,360,910</u>

The accompanying notes are an integral part of these statements.

<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
\$ --	\$ --	\$ 1,671,333
--	--	966,057
--	--	695,751
--	--	116,836
<u>2,400</u>	<u>389</u>	<u>7,644</u>
2,400	389	3,457,621
--	--	891,018
--	--	513,683
--	--	12,000
--	--	1,764
--	--	745,106
--	--	23,262
--	--	258,459
--	--	61,100
2,400	389	49,715
<u>--</u>	<u>--</u>	<u>375,306</u>
<u>2,400</u>	<u>389</u>	<u>2,931,413</u>
--	--	526,208
--	--	16,120
--	--	23,056
--	--	(19,043)
<u>--</u>	<u>--</u>	<u>53,486</u>
<u>--</u>	<u>--</u>	<u>73,619</u>
--	--	599,827
<u>6,949</u>	<u>18,202</u>	<u>10,111,243</u>
<u>\$ 6,949</u>	<u>\$ 18,202</u>	<u>\$ 10,711,070</u>

CORNING MUNICIPAL UTILITIES
Statements of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>
Operating Revenues:			
Residential sales	\$ 801,362	\$ 517,473	\$ 361,197
Commercial sales	464,427	314,255	281,135
Public authority sales	565,058	56,892	123,525
SIRWA revenue	--	116,836	--
Other miscellaneous	5,795	1,522	378
Total operating revenues	<u>1,836,642</u>	<u>1,006,978</u>	<u>766,235</u>
Operating Expenses:			
Purchased energy	654,324	--	369,761
Operations and maintenance	132,059	393,863	39,168
Customer records and collections	4,000	--	10,000
Sales and use taxes	1,980	--	422
Payroll and payroll taxes	413,759	122,191	208,411
Office expense	10,276	9,677	9,687
Outside services employed	10,604	240,089	10,630
General insurance	17,381	16,589	16,589
General administration	21,781	12,619	15,428
Depreciation	128,670	217,647	26,183
Total operating expenses	<u>1,394,834</u>	<u>1,012,675</u>	<u>706,279</u>
Operating Income (Loss)	441,808	(5,697)	59,956
Non-Operating Revenues (Expenses):			
Income from merchandising and custom work, net	25,784	1,741	425
Interest income	31,899	4,615	9,281
Interest expense	(4,734)	(15,089)	--
Gain on sale	751	505	--
Other	(822)	(11,000)	39,820
Non-Operating Revenues (Expenses), net	<u>52,878</u>	<u>(19,228)</u>	<u>49,526</u>
Changes in Net Position	494,686	(24,925)	109,482
Net Position, Beginning of Year	<u>6,251,386</u>	<u>2,056,044</u>	<u>1,199,419</u>
Net Position, End of Year	<u>\$ 6,746,072</u>	<u>\$ 2,031,119</u>	<u>\$ 1,308,901</u>

The accompanying notes are an integral part of these statements.

<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
\$ --	\$ --	\$ 1,680,032
--	--	1,059,817
--	--	745,475
--	--	116,836
<u>2,400</u>	<u>403</u>	<u>10,498</u>
2,400	403	3,612,658
--	--	1,024,085
--	--	565,090
--	--	14,000
--	--	2,402
--	--	744,361
--	--	29,640
--	--	261,323
--	--	50,559
2,400	403	52,631
<u>--</u>	<u>--</u>	<u>372,500</u>
2,400	403	3,116,591
--	--	496,067
--	--	27,950
--	--	45,795
--	--	(19,823)
--	--	1,256
<u>--</u>	<u>--</u>	<u>27,998</u>
--	--	83,176
--	--	579,243
<u>6,949</u>	<u>18,202</u>	<u>9,532,000</u>
<u>\$ 6,949</u>	<u>\$ 18,202</u>	<u>\$ 10,111,243</u>

CORNING MUNICIPAL UTILITIES
Statements of Cash Flows
Year ended December 31, 2020

	Electric	Water	Gas
Cash flows from operating activities:			
Cash received from consumers	\$ 1,795,822	\$ 900,501	\$ 653,886
Cash paid to suppliers	(928,644)	(615,845)	(440,025)
Cash paid to employees	(309,004)	(81,412)	(131,658)
Cash paid to City	--	--	--
Other operating receipts	8,395	51,664	14,402
Net cash provided by (used in) operating activities	<u>566,569</u>	<u>254,908</u>	<u>96,605</u>
Cash flows from noncapital financing activities:			
Change in interfund	(438,236)	552,540	(114,304)
Consumer deposits, net	(2,095)	(130)	50
Net cash provided by (used in) noncapital financing activities	<u>(440,331)</u>	<u>552,410</u>	<u>(114,254)</u>
Cash flows from capital and related financing activities:			
Capital expenditures	(53,437)	(240,335)	--
Proceeds from long-term debt	--	2,339,350	--
Principal payments	--	(763,000)	--
Interest paid	--	(8,583)	--
Net cash provided by (used in) capital and related financing activities	<u>(53,437)</u>	<u>1,327,432</u>	<u>--</u>
Cash flows from investing activities:			
Redemption (purchase) of certificates of deposit	401,026	--	(1,663)
Income from investments	16,524	1,530	5,635
Net cash provided by investing activities	<u>417,550</u>	<u>1,530</u>	<u>3,972</u>
Net increase (decrease) in cash	490,351	2,136,280	(13,677)
Cash at beginning of year	<u>1,296,125</u>	<u>522,776</u>	<u>638,235</u>
Cash at end of year	<u>\$ 1,786,476</u>	<u>\$ 2,659,056</u>	<u>\$ 624,558</u>
Reconciliation of cash to the balance sheets:			
Cash in current assets	\$ 1,626,913	\$ 369,278	\$ 623,638
Cash in special purpose funds	<u>159,563</u>	<u>2,289,778</u>	<u>920</u>
Total cash	<u>\$ 1,786,476</u>	<u>\$ 2,659,056</u>	<u>\$ 624,558</u>

(continued next page)

<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
\$ 483,326	\$ 201,105	\$ 4,034,640
--	--	(1,984,514)
--	--	(522,074)
(489,551)	(201,248)	(690,799)
2,400	389	77,250
<u>(3,825)</u>	<u>246</u>	<u>914,503</u>
--	--	--
<u>--</u>	<u>--</u>	<u>(2,175)</u>
--	--	(2,175)
--	--	(293,772)
--	--	2,339,350
--	--	(763,000)
<u>--</u>	<u>--</u>	<u>(8,583)</u>
--	--	1,273,995
--	--	399,363
<u>--</u>	<u>--</u>	<u>23,689</u>
<u>--</u>	<u>--</u>	<u>423,052</u>
(3,825)	246	2,609,375
<u>6,098</u>	<u>21,389</u>	<u>2,484,623</u>
<u>\$ 2,273</u>	<u>\$ 21,635</u>	<u>\$ 5,093,998</u>
\$ 2,273	\$ 21,635	\$ 2,643,737
<u>--</u>	<u>--</u>	<u>2,450,261</u>
<u>\$ 2,273</u>	<u>\$ 21,635</u>	<u>\$ 5,093,998</u>

CORNING MUNICIPAL UTILITIES
Statements of Cash Flows - continued
Year ended December 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 391,964	\$ 103,719	\$ 30,525
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Other non-operating revenues	5,016	50,188	14,402
Depreciation	129,881	222,875	22,550
Amortization	1,636	4,217	--
Unearned revenues	--	(116,836)	--
Change in assets and liabilities:			
Accounts receivable/unbilled revenues	8,760	(4,938)	13,246
Inventory	11,434	(887)	(322)
Prepaid expenses	(483)	(885)	(1,393)
Net pension liability	100	--	100
Accounts payable, trade	6,136	(9,918)	10,995
Accrued employee compensation	(3,062)	(1,531)	(1,531)
Accrued expenses	1,487	(896)	(1,067)
Deferred inflows of resources	13,700	9,800	9,100
Total adjustments	<u>174,605</u>	<u>151,189</u>	<u>66,080</u>
Net cash provided by (used in) operating activities	<u>\$ 566,569</u>	<u>\$ 254,908</u>	<u>\$ 96,605</u>

The accompanying notes are an integral part of these statements.

<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
\$ --	\$ --	\$ 526,208
--	--	69,606
--	--	375,306
--	--	5,853
--	--	(116,836)
1,628	826	19,522
--	--	10,225
--	--	(2,761)
--	--	200
(5,453)	(580)	1,180
--	--	(6,124)
--	--	(476)
--	--	32,600
<u>(3,825)</u>	<u>246</u>	<u>388,295</u>
<u>\$(3,825)</u>	<u>\$ 246</u>	<u>\$ 914,503</u>

CORNING MUNICIPAL UTILITIES
Statements of Cash Flows
Year ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>
Cash flows from operating activities:			
Cash received from consumers	\$ 1,826,699	\$ 884,633	\$ 810,453
Cash paid to suppliers	(992,657)	(656,459)	(568,811)
Cash paid to employees	(295,891)	(88,190)	(146,933)
Cash paid to City	--	--	--
Other operating receipts (payments)	<u>30,757</u>	<u>(7,737)</u>	<u>40,623</u>
Net cash provided by (used in) operating activities	568,908	132,247	135,332
Cash flows from noncapital financing activities:			
Change in interfund	(389,575)	410,186	(20,611)
Consumer deposits, net	<u>(3,412)</u>	<u>255</u>	<u>250</u>
Net cash provided by (used in) noncapital financing activities	(392,987)	410,441	(20,361)
Cash flows from capital and related financing activities:			
Capital expenditures	(27,983)	(90,852)	(25,726)
Proceeds from sale of assets	751	505	--
Principal payments	(340,000)	(239,000)	--
Interest paid	<u>(5,571)</u>	<u>(15,444)</u>	<u>--</u>
Net cash used in capital and related financing activities	(372,803)	(344,791)	(25,726)
Cash flows from investing activities:			
Purchase of certificates of deposit	(6,542)	--	101,197
Income from investments	<u>31,359</u>	<u>4,615</u>	<u>10,327</u>
Net cash provided by investing activities	24,817	4,615	111,524
Net increase (decrease) in cash	(172,065)	202,512	200,769
Cash at beginning of year	<u>1,468,190</u>	<u>320,264</u>	<u>437,466</u>
Cash at end of year	<u>\$ 1,296,125</u>	<u>\$ 522,776</u>	<u>\$ 638,235</u>
Reconciliation of cash to the balance sheets:			
Cash in current assets	\$ 601,079	\$ 272,934	\$ 269,855
Cash in special purpose funds	<u>695,046</u>	<u>249,842</u>	<u>368,380</u>
Total cash	<u>\$ 1,296,125</u>	<u>\$ 522,776</u>	<u>\$ 638,235</u>

(continued next page)

<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
\$ 473,795	\$ 200,649	\$ 4,196,229
--	--	(2,217,927)
--	--	(531,014)
(480,053)	(200,463)	(680,516)
2,400	403	66,446
<u>(3,858)</u>	<u>589</u>	<u>833,218</u>
--	--	--
<u>--</u>	<u>--</u>	<u>(2,907)</u>
--	--	(2,907)
--	--	(144,561)
--	--	1,256
--	--	(579,000)
<u>--</u>	<u>--</u>	<u>(21,015)</u>
--	--	(743,320)
--	--	94,655
<u>--</u>	<u>--</u>	<u>46,301</u>
<u>--</u>	<u>--</u>	<u>140,956</u>
(3,858)	589	227,947
<u>9,956</u>	<u>20,800</u>	<u>2,256,676</u>
<u>\$ 6,098</u>	<u>\$ 21,389</u>	<u>\$ 2,484,623</u>
\$ 6,098	\$ 21,389	\$ 1,171,355
<u>--</u>	<u>--</u>	<u>1,313,268</u>
<u>\$ 6,098</u>	<u>\$ 21,389</u>	<u>\$ 2,484,623</u>

CORNING MUNICIPAL UTILITIES
Statements of Cash Flows - continued
Year ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 441,808	\$(5,697)	\$ 59,956
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other non-operating revenues (expenses)	24,962	(9,259)	40,245
Depreciation	128,670	217,647	26,183
Amortization	3,272	4,217	--
Unearned revenues	--	(116,836)	--
Change in assets and liabilities:			
Accounts receivable/unbilled revenues	(4,148)	(3,987)	44,596
Inventory	(24,486)	1,209	(3,127)
Prepaid expenses	(191)	(288)	972
Deferred outflows of resources	6,800	4,900	4,600
Net pension liability	(7,600)	(5,400)	(5,100)
Accounts payable, trade	(10,477)	39,284	(39,686)
Accrued employee compensation	5,108	2,554	2,554
Accrued expenses	2,390	1,903	2,239
Deferred inflows of resources	2,800	2,000	1,900
Total adjustments	<u>127,100</u>	<u>137,944</u>	<u>75,376</u>
Net cash provided by (used in) operating activities	<u>\$ 568,908</u>	<u>\$ 132,247</u>	<u>\$ 135,332</u>

The accompanying notes are an integral part of these statements.

<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
\$ --	\$ --	\$ 496,067
--	--	55,948
--	--	372,500
--	--	7,489
--	--	(116,836)
(3,717)	(171)	32,573
--	--	(26,404)
--	--	493
--	--	16,300
--	--	(18,100)
(141)	760	(10,260)
--	--	10,216
--	--	6,532
--	--	6,700
<u>(3,858)</u>	<u>589</u>	<u>337,151</u>
<u><u>\$ (3,858)</u></u>	<u><u>\$ 589</u></u>	<u><u>\$ 833,218</u></u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Corning Municipal Utilities provides electricity, water, and gas services to the City of Corning and the surrounding area. The Utilities are operated as a separate entity under the direction of a Board of Trustees. The members of the Board are appointed by the Mayor and approved by the City Council.

Corning Municipal Utilities has been identified as a component unit of the City of Corning, Iowa. The Utilities, for financial statement purposes, include all of the funds and account groups relevant to the operation of the electric, water, and gas services. Corning Municipal Utilities also provides billing and collection of sewer and garbage services for the City of Corning, however, those amounts have been netted for financial statement purposes. These financial statements do not reflect any activity or transactions of the City of Corning and do not present consolidated information.

The Utilities report in accordance with Governmental Accounting Standards and Uniform Systems of Accounts prescribed by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners.

2. Basis of Presentation

The Statements of Net Position display the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Utilities.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Utilities' policy to use restricted net position first.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Capital Assets and Depreciation

The straight-line method is used for computing depreciation with lives on machinery and equipment ranging from five to thirty-five years and lives on buildings of fifty years. Cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Utility plant accounts are charged with the cost of improvements and replacements of the plant.

6. Accounts Receivable and Unbilled Revenues

Billings for electric, water, gas, sewer, and garbage revenues are rendered monthly. Unbilled revenues for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

At December 31, 2020 and 2019, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

7. Inventory Valuation

Inventories (materials, supplies and fuel) are valued at the lower of cost or market. Cost is determined by the average cost method for materials and supplies.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

8. Investments

Investments are reported at fair value except for short-term highly liquid investments with maturities of less than one year at the time of purchase. These investments are stated at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in other non-operating revenue when earned.

9. Purpose of Special Funds

The Utilities have set aside certain assets for specific purposes. The board designated funds represent money designated by the Board of Trustees to be used in the payment of certain potential costs as identified in Note D. The restricted funds, as discussed in Note D, are the result of requirements established in bond issue documents and for consumer deposits. Use of restricted or unrestricted resources for individual projects is determined by the Utility Board of Trustees based on the facts regarding each specific situation.

10. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to future periods which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Utilities after the measurement date but before the end of the Utilities' reporting period.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Compensated Absences

Utility employees earn vacation hours at varying rates depending on years of service. Vacation time accumulates to a maximum of 320 hours. Any excess over 320 hours is lost. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

13. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to future periods which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

14. Property Taxes

According to Iowa law, the Electric Utility is required to pay property taxes on transmission lines and related Utility property outside the Corning city limits. The property taxes are recorded as of the date they are paid.

15. Cash Equivalents

For purposes of the statement of cash flows, the Corning Municipal Utilities considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE B - TRANSACTIONS WITH CITY OF CORNING, IOWA

The Utilities act as the billing and collection agent for the City in the collection of sewer and garbage fees from the residents of Corning. This service is provided for a minimal charge to the City.

The Utilities provide electric, water, and gas services to the City of Corning.

Following is a summary of activity between the Utilities and City during the year:

	<u>2020</u>	<u>2019</u>
Sewer Fees Collected for City	\$ <u>483,326</u>	\$ <u>473,795</u>
Garbage Fees Collected for City	\$ <u>201,105</u>	\$ <u>200,649</u>
Charge to City for Sewer Billing Service	\$ <u>2,400</u>	\$ <u>2,400</u>
Charge to City for Utilities	\$ <u>11,263</u>	\$ <u>11,682</u>

NOTE C - TRANSACTIONS BETWEEN ELECTRIC, WATER, AND GAS FUNDS

Certain administrative costs are split between the Electric, Water, and Gas Funds based on a formula applied consistently throughout the years. Other costs and all revenues are separately identified and accounted for within each Fund.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE C - TRANSACTIONS BETWEEN ELECTRIC, WATER, AND GAS FUNDS -
Continued

Following is information about interdepartment transactions and amounts due between the Electric, Water, and Gas Funds at December 31:

	<u>2020</u>	<u>2019</u>
Interfund receivable due to Electric Fund from Water Fund	\$ 3,002,640	\$ 2,564,404
Interfund receivable due to Gas Fund from Water Fund	<u>157,195</u>	<u>42,891</u>
	<u>\$ 3,159,835</u>	<u>\$ 2,607,295</u>

NOTE D - SPECIAL PURPOSE FUNDS

Restricted and board designated funds are available for the following purposes:

Electric Fund

	<u>2020</u>	<u>2019</u>
Restricted for:		
Consumer deposits	<u>\$ 42,275</u>	<u>\$ 44,370</u>
Board designated for:		
Facility repairs and capital expenditures	<u>\$ 117,288</u>	<u>\$ 650,676</u>

Water Fund

	<u>2020</u>	<u>2019</u>
Restricted for:		
Consumer deposits	\$ 350	\$ 480
Reserve fund	172,004	--
Bond proceeds for water project	<u>1,949,787</u>	<u>--</u>
	<u>\$ 2,122,141</u>	<u>\$ 480</u>
Board designated for:		
Facility repairs and capital expenditures	\$ 33	\$ 249,362
Debt payments	<u>167,604</u>	<u>--</u>
	<u>\$ 167,637</u>	<u>\$ 249,362</u>

Gas Fund

Restricted for:		
Consumer deposits	<u>\$ 920</u>	<u>\$ 870</u>
Board designated for:		
Facility repairs and capital expenditures	<u>\$ --</u>	<u>\$ 367,510</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE E - DEPOSITS AND INVESTMENTS

The Utilities' deposits at December 31, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Utilities or their agent in the Utilities' name. Investments are stated as indicated in Note A.

The Utilities are authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,406,716 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

The composition of restricted and designated funds is as follows:

Electric Fund

	<u>2020</u>	<u>2019</u>
Restricted funds:		
Cash and cash equivalents	\$ <u>42,275</u>	\$ <u>44,370</u>
Board designated funds:		
Cash and cash equivalents	\$ <u>117,288</u>	\$ <u>650,676</u>

Water Fund

	<u>2020</u>	<u>2019</u>
Restricted funds:		
Cash and cash equivalents	\$ <u>2,122,141</u>	\$ <u>480</u>
Board designated funds:		
Cash and cash equivalents	\$ <u>167,637</u>	\$ <u>249,362</u>

Gas Fund

	<u>2020</u>	<u>2019</u>
Restricted funds:		
Cash and cash equivalents	\$ <u>920</u>	\$ <u>870</u>
Board designated funds:		
Cash and cash equivalents	\$ <u>--</u>	\$ <u>367,510</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE E - DEPOSITS AND INVESTMENTS - Continued

Interest rate risk - The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

NOTE F - FAIR VALUE MEASUREMENTS

The Utilities' investments are reported at fair value in the accompanying statements of net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Utilities uses appropriate valuation techniques based on the available inputs to measure the fair value of its interfund receivable. When available, the Utilities measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Utilities, therefore, Level 3 inputs were used to value its investments at December 31, 2020 and 2019.

Level 3 Fair Value Measurements

The Utilities' interfund receivables are not actively traded and significant other observable inputs are not available. The fair value of the interfund receivables are based on contract value.

The following tables set forth, by level within the fair value hierarchy, the Utilities' investments at fair value as of December 31, 2020 and 2019:

	Fair Value	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>		
Interfund receivable - electric	\$ 3,002,640	\$ 3,002,640
Interfund receivable - gas	<u>157,195</u>	<u>157,195</u>
	<u>\$ 3,159,835</u>	<u>\$ 3,159,835</u>
 <u>December 31, 2019</u>		
Interfund receivable - electric	\$ 2,564,404	\$ 2,564,404
Interfund receivable - gas	<u>42,891</u>	<u>42,891</u>
	<u>\$ 2,607,295</u>	<u>\$ 2,607,295</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE F - FAIR VALUE MEASUREMENTS - Continued

The following table reconciles the beginning and ending balances of fair value measurement for the Utilities' Level 3 assets using unobservable inputs for the years ended December 31, 2020 and 2019:

	Interfund Receivable (Payable)		
	Electric Department	Gas Department	Water Department
<u>December 31, 2020</u>			
Beginning balance	\$ 2,564,404	\$ 42,891	\$(2,607,295)
Advances to Water Department	<u>438,236</u>	<u>114,304</u>	<u>(552,540)</u>
Ending balance	<u>\$ 3,002,640</u>	<u>\$ 157,195</u>	<u>\$(3,159,835)</u>
<u>December 31, 2019</u>			
Beginning balance	\$ 2,174,829	\$ 22,280	\$(2,197,109)
Advances to Water Department	<u>389,575</u>	<u>20,611</u>	<u>(410,186)</u>
Ending balance	<u>\$ 2,564,404</u>	<u>\$ 42,891</u>	<u>\$(2,607,295)</u>

NOTE G - UNEARNED REVENUE

In conjunction with the construction of the new water treatment facility, the Utilities received \$2,336,716 from Southwestern Iowa Rural Water Association (SIRWA) related to future usage of the new water plant facility. As of December 31, 2020 and 2019, the amount unearned is \$233,671 and \$350,507, respectively. SIRWA does not possess any ownership rights in the water plant facility. Therefore, the payment received from them is being recognized as revenue over the period of repayment of the bonds used to purchase the new facility (20 years).

The unearned revenue will be recognized as follows:

2021	\$ 116,836
2022	<u>116,835</u>
	<u>\$ 233,671</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE H - CAPITAL ASSETS

Capital assets, additions, disposals, and balances for the years ended December 31, 2020 and 2019 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2020</u>
<u>Electric Fund</u>				
Plant and Equipment	\$ 5,437,262	\$ 53,437	\$ --	\$ 5,490,699
Depreciation	<u>3,387,546</u>	<u>129,881</u>	<u>--</u>	<u>3,517,427</u>
Depreciable Capital Assets, net	<u>\$ 2,049,716</u>	<u>\$ (76,444)</u>	<u>\$ --</u>	<u>\$ 1,973,272</u>
Land	<u>\$ 66,520</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 66,520</u>
Non-Depreciable Capital Assets	<u>\$ 66,520</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 66,520</u>
Total Capital Assets, net	<u>\$ 2,116,236</u>	<u>\$ (76,444)</u>	<u>\$ --</u>	<u>\$ 2,039,792</u>
	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
<u>Electric Fund</u>				
Plant and Equipment	\$ 5,417,779	\$ 27,983	\$ 8,500	\$ 5,437,262
Depreciation	<u>3,267,376</u>	<u>128,670</u>	<u>8,500</u>	<u>3,387,546</u>
Depreciable Capital Assets, net	<u>\$ 2,150,403</u>	<u>\$ (100,687)</u>	<u>\$ --</u>	<u>\$ 2,049,716</u>
Land	<u>\$ 66,520</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 66,520</u>
Non-Depreciable Capital Assets	<u>\$ 66,520</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 66,520</u>
Total Capital Assets, net	<u>\$ 2,216,923</u>	<u>\$ (100,687)</u>	<u>\$ --</u>	<u>\$ 2,116,236</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE H - CAPITAL ASSETS - Continued

	<u>Balance 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2020</u>
<u>Water Fund</u>				
Plant and Equipment	\$ 8,576,238	\$ 164,039	\$ --	\$ 8,740,277
Depreciation	<u>3,559,144</u>	<u>222,875</u>	<u>--</u>	<u>3,782,019</u>
Depreciable Capital Assets, net	<u>\$ 5,017,094</u>	<u>\$ (58,836)</u>	<u>\$ --</u>	<u>\$ 4,958,258</u>
Construction in Progress	\$ 66,654	\$ 64,873	\$ --	\$ 131,527
Land	<u>142,538</u>	<u>--</u>	<u>--</u>	<u>142,538</u>
Non-Depreciable Capital Assets	<u>\$ 209,192</u>	<u>\$ 64,873</u>	<u>\$ --</u>	<u>\$ 274,065</u>
Total Capital Assets, net	<u>\$ 5,226,286</u>	<u>\$ 6,037</u>	<u>\$ --</u>	<u>\$ 5,232,323</u>
	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
<u>Water Fund</u>				
Plant and Equipment	\$ 8,568,290	\$ 24,198	\$ 16,250	\$ 8,576,238
Depreciation	<u>3,357,747</u>	<u>217,647</u>	<u>16,250</u>	<u>3,559,144</u>
Depreciable Capital Assets, net	<u>\$ 5,210,543</u>	<u>\$ (193,449)</u>	<u>\$ --</u>	<u>\$ 5,017,094</u>
Construction in Progress	\$ --	\$ 66,654	\$ --	\$ 66,654
Land	<u>142,538</u>	<u>--</u>	<u>--</u>	<u>142,538</u>
Non-Depreciable Capital Assets	<u>\$ 142,538</u>	<u>\$ 66,654</u>	<u>\$ --</u>	<u>\$ 209,192</u>
Total Capital Assets, net	<u>\$ 5,353,081</u>	<u>\$ (126,795)</u>	<u>\$ --</u>	<u>\$ 5,226,286</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE H - CAPITAL ASSETS - Continued

	<u>Balance 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2020</u>
<u>Gas Fund</u>				
Plant and Equipment	\$ 1,268,562	\$ --	\$ --	\$ 1,268,562
Depreciation	<u>819,827</u>	<u>22,550</u>	<u>--</u>	<u>842,377</u>
Total Capital Assets, net	<u>\$ 448,735</u>	<u>\$ (22,550)</u>	<u>\$ --</u>	<u>\$ 426,185</u>
	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
<u>Gas Fund</u>				
Plant and Equipment	\$ 1,242,836	\$ 25,726	\$ --	\$ 1,268,562
Depreciation	<u>793,644</u>	<u>26,183</u>	<u>--</u>	<u>819,827</u>
Total Capital Assets, net	<u>\$ 449,192</u>	<u>\$ (457)</u>	<u>\$ --</u>	<u>\$ 448,735</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE I - ELECTRIC FUND NON-CURRENT LIABILITIES

A schedule of changes in Electric Fund non-current liabilities for the years ended December 31, 2020 and 2019 follows:

<u>Electric Fund</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>
Net Pension Liability	\$ 155,200	\$ 100	\$ --	\$ 155,300
Consumer Deposits, net	<u>44,370</u>	<u>--</u>	<u>2,095</u>	<u>42,275</u>
Total Non-Current Liabilities	<u>\$ 199,570</u>	<u>\$ 100</u>	<u>\$ 2,095</u>	<u>\$ 197,575</u>

<u>Electric Fund</u>	<u>Balance 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2019</u>
2011 Revenue Bonds	\$ 340,000	\$ --	\$ 340,000	\$ --
Less Current Portion	<u>(165,000)</u>	<u>--</u>	<u>(165,000)</u>	<u>--</u>
Long-Term Debt, net	175,000	--	175,000	--
Net Pension Liability	162,800	--	7,600	155,200
Consumer Deposits, net	<u>47,782</u>	<u>--</u>	<u>3,412</u>	<u>44,370</u>
Total Non-Current Liabilities	<u>\$ 385,582</u>	<u>\$ --</u>	<u>\$ 186,012</u>	<u>\$ 199,570</u>

NOTE J - WATER FUND NON-CURRENT LIABILITIES

A schedule of changes in Water Fund non-current liabilities for the years ended December 31, 2020 and 2019 follows:

<u>Water Fund</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>
2002 Revenue Bonds	\$ 763,000	\$ --	\$ 763,000	\$ --
2020 Revenue Bonds	--	2,300,000	--	2,300,000
Debt Premium	--	39,350	--	39,350
Less Current Portion	<u>(247,000)</u>	<u>--</u>	<u>(132,000)</u>	<u>(115,000)</u>
Long-Term Debt, net	516,000	2,339,350	631,000	2,224,350
Net Pension Liability	112,400	--	--	112,400
Interfund Payable	2,607,295	552,540	--	3,159,835
Consumer Deposits, net	<u>480</u>	<u>--</u>	<u>130</u>	<u>350</u>
Total Non-Current Liabilities	<u>\$ 3,236,175</u>	<u>\$ 2,891,890</u>	<u>\$ 631,130</u>	<u>\$ 5,496,935</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE J - WATER FUND NON-CURRENT LIABILITIES - Continued

<u>Water Fund</u>	<u>Balance 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2019</u>
2002 Revenue Bonds	\$ 1,002,000	\$ --	\$ 239,000	\$ 763,000
Less Current Portion	(239,000)	(8,000)	--	(247,000)
Long-Term Debt, net	<u>763,000</u>	<u>(8,000)</u>	<u>239,000</u>	<u>516,000</u>
Net Pension Liability	117,800	--	5,400	112,400
Interfund Payable	2,197,109	410,186	--	2,607,295
Consumer Deposits, net	<u>225</u>	<u>255</u>	<u>--</u>	<u>480</u>
Total Non-Current Liabilities	<u>\$ 3,078,134</u>	<u>\$ 402,441</u>	<u>\$ 244,400</u>	<u>\$ 3,236,175</u>

Water Revenue Bonds, Series 2002

On April 16, 2002, Corning Municipal Utilities issued water revenue bonds in the amount of \$4,008,000 with interest at the rate of 1.75 percent for the constructing of improvements and extensions to the water distribution system. Interest on the bonds was payable semi-annually on June 1 and December 1 of each year the notes were outstanding. Principal payments on the bonds commenced on June 1, 2002 and were due annually thereafter until paid in full. Debt service payments were payable solely from the net revenues of the water utility.

The resolutions providing for the debt issuance of the water revenue notes included the following provisions:

- (a) The notes will only be redeemed from the future net revenues of the Water Fund activity and the bond holders hold a lien on the future earnings of the fund.
- (b) The proceeds shall be used for the sole purpose of constructing a new water treatment facility as approved in the project plan.

The Utilities was not required to establish a sinking or reserve account by the Water Revenue Bond resolution.

Water Revenue Bonds, Series 2020

On September 30, 2020, Corning Municipal Utilities issued water revenue bonds in the amount of \$2,300,000 with interest at the rate of 2.00 percent for the purpose of defraying the cost of replacing water mains. Interest on the bonds is payable semi-annually on June 1 and December 1 of each year the notes are outstanding. Principal payments on the bonds commence on June 1, 2021 and are due annually thereafter until paid in full. Debt service payments are payable solely from the net revenues of the water utility.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE J - WATER FUND NON-CURRENT LIABILITIES - Continued

The resolutions providing for the debt issuance of the water revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future net revenues of the Water Fund activity and the bond holders hold a lien on the future earnings of the fund.
- (b) The proceeds shall be used for the sole purpose of replacing water mains as approved in the project plan.

The Utilities is required to establish a sinking or reserve account by the Water Revenue Bond resolution and has done so in accordance with the agreement.

The Water Revenue Bond requirements state that net revenues should be at least 110% of the amount of principal and interest falling due in the same year.

The annual debt service on the bonds is expected to require approximately 44% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately \$ - 0 - and \$382,500, respectively.

Principal and interest payments required on Water Fund long-term debt during each of the years ending December 31, 2021 through 2036 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 115,000	\$ 52,644	\$ 167,644
2022	125,000	42,450	167,450
2023	130,000	39,900	169,900
2024	130,000	37,300	167,300
2025	135,000	34,650	169,650
2026-2030	715,000	131,450	846,450
2013-2035	785,000	56,450	841,450
2036	<u>165,000</u>	<u>1,650</u>	<u>166,650</u>
	<u>\$ 2,300,000</u>	<u>\$ 396,494</u>	<u>\$ 2,696,494</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE K - GAS FUND NON-CURRENT LIABILITIES

A schedule of changes in Gas Fund non-current liabilities for the years ended December 31, 2020 and 2019 follows:

Gas Fund

	Balance 2019	Additions	Reductions	Balance 2020
Net Pension Liability	\$ 102,500	\$ 100	\$ --	\$ 102,600
Consumer Deposit, net	<u>870</u>	<u>50</u>	<u>--</u>	<u>920</u>
Total Non-Current Liabilities	<u>\$ 103,370</u>	<u>\$ 150</u>	<u>\$ --</u>	<u>\$ 103,520</u>

Gas Fund

	Balance 2018	Additions	Reductions	Balance 2019
Net Pension Liability	\$ 107,600	\$ --	\$ 5,100	\$ 102,500
Consumer Deposit, net	<u>620</u>	<u>250</u>	<u>--</u>	<u>870</u>
Total Non-Current Liabilities	<u>\$ 108,220</u>	<u>\$ 250</u>	<u>\$ 5,100</u>	<u>\$ 103,370</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Utilities contributed 9.44% of covered payroll for a total rate of 15.73%.

The Utilities' contributions to IPERS for the years ended December 31, 2020 and 2019 were approximately \$46,400 and \$48,900, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2020 and 2019, the Utilities reported a liability of \$370,300 and \$370,100, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, which is an estimate as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an estimate of an actuarial valuation. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Utilities' proportion was 0.006394%, which was an increase of 0.000545% from its proportion measured as of June 30, 2018.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

For the years ended December 31, 2020 and 2019, the Utilities' recognized pension expense of approximately \$13,600 and \$44,000, respectively. The Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020			
	Electric		Water	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 400	\$ 5,600	\$ 300	\$ 4,000
Changes of assumptions	16,600	--	12,000	--
Net difference between projected and actual earnings on IPERS investments	--	17,500	--	12,500
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	15,800	1,800	11,300	1,500
Utilities contributions subsequent to the measurement date	<u>19,500</u>	<u>--</u>	<u>14,000</u>	<u>--</u>
	<u>\$ 52,300</u>	<u>\$ 24,900</u>	<u>\$ 37,600</u>	<u>\$ 18,000</u>
	2020			
	Gas		Total All Utilities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 300	\$ 3,700	\$ 1,000	\$ 13,300
Changes of assumptions	11,100	--	39,700	--
Net difference between projected and actual earnings on IPERS investments	--	11,700	--	41,700
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	10,500	1,300	37,600	4,600
Utilities contributions subsequent to the measurement date	<u>12,900</u>	<u>--</u>	<u>46,400</u>	<u>--</u>
	<u>\$ 34,800</u>	<u>\$ 16,700</u>	<u>\$ 124,700</u>	<u>\$ 59,600</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

	2019			
	Electric		Water	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 800	\$ 3,500	\$ 700	\$ 2,600
Changes of assumptions	22,200	--	15,900	--
Net difference between projected and actual earnings on IPERS investments	--	4,200	--	3,000
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	8,800	3,500	6,300	2,600
Utilities contributions subsequent to the measurement date	<u>20,500</u>	<u>--</u>	<u>14,700</u>	<u>--</u>
	<u>\$ 52,300</u>	<u>\$ 11,200</u>	<u>\$ 37,600</u>	<u>\$ 8,200</u>
	2019			
	Gas		Total All Utilities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 500	\$ 2,300	\$ 2,000	\$ 8,400
Changes of assumptions	14,700	--	52,800	--
Net difference between projected and actual earnings on IPERS investments	--	2,900	--	10,100
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	5,900	2,400	21,000	8,500
Utilities contributions subsequent to the measurement date	<u>13,700</u>	<u>--</u>	<u>48,900</u>	<u>--</u>
	<u>\$ 34,800</u>	<u>\$ 7,600</u>	<u>\$ 124,700</u>	<u>\$ 27,000</u>

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

Deferred outflows of resources related to pensions of \$46,400 and \$48,900 represent the amount the Utilities contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2021 and December 31, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Total All Utilities</u>
2021	\$ 7,000	\$ 4,900	\$ 4,600	\$ 16,500
2022	500	400	300	1,200
2023	200	200	200	600
2024	(600)	(400)	(400)	(1,400)
2025	800	500	500	1,800
	<u>\$ 7,900</u>	<u>\$ 5,600</u>	<u>\$ 5,200</u>	<u>\$ 18,700</u>

<u>Year Ended December 31,</u>	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Total All Utilities</u>
2020	\$ 11,900	\$ 8,500	\$ 7,800	\$ 28,200
2021	7,000	5,000	4,600	16,600
2022	1,100	800	700	2,600
2023	700	500	500	1,700
2024	(100)	(100)	(100)	(300)
	<u>\$ 20,600</u>	<u>\$ 14,700</u>	<u>\$ 13,500</u>	<u>\$ 48,800</u>

There were no non-employer contribution entities to IPERS.

Actuarial Assumptions - The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with the MP-2017 generational adjustments.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Electric	\$ 275,700	\$ 155,300	\$ 54,300
Water	199,600	112,400	39,300
Gas	<u>182,200</u>	<u>102,600</u>	<u>35,800</u>

Utilities' proportionate share of the net pension liability - December 31, 2020	<u>\$ 657,500</u>	<u>\$ 370,300</u>	<u>\$ 129,400</u>
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CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE L - PENSION PLAN - Continued

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Electric	\$ 263,400	\$ 155,200	\$ 64,500
Water	190,800	112,400	46,700
Gas	<u>174,000</u>	<u>102,500</u>	<u>42,500</u>
Utilities' proportionate share of the net pension liability - December 31, 2019	<u>\$ 628,200</u>	<u>\$ 370,100</u>	<u>\$ 153,700</u>

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At December 31, 2020 and 2019, the Utilities reported payables to IPERS of \$ - 0 - and \$ - 0 -, respectively, for legally required employer contributions and \$ - 0 - and \$ - 0 -, respectively, for legally required employee contributions which had been withheld from employee wages but not yet been remitted to IPERS.

NOTE M - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The Utilities operate a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the Utilities and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE M - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Retired participants must be age 55 or older at retirement. At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>7</u>
Total	<u><u>7</u></u>

Net OPEB Obligation: Management of the Utilities consider any OPEB obligation, which may exist, to be immaterial. No liability has been recorded.

NOTE N - COMMITMENTS AND CONTINGENCIES

Construction

The Water Department construction in progress, approximately \$131,500, represents the ongoing Water Main Replacement Project. This project has an estimated capital cost to complete of \$2,300,000. The project is being financed through internally generated funds and through debt proceeds.

Risk Management

The Utilities are exposed to common business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Off Balance Sheet and Concentration of Credit Risk

Accounts receivable are due for electric, water, gas, sewer, and garbage charges to customers of Corning, Iowa and the surrounding area. None of the receivables are collateralized. To date, these concentrations of credit risk have not had an adverse effect on the results of operations of the Utilities.

Environmental Regulations

The Utilities are subject to various federal and state environmental regulations. These regulations are continuously revised and updated, resulting in ongoing compliance requirements. Management has determined that the facility is currently in compliance with the applicable regulations. The Utilities anticipate that any future cost incurred relating to environmental regulations will be recovered through rates charged to customers.

Related Party Transactions

The Utilities had business transactions totaling \$1,235 between the Utilities and a business partially owned by a trustee during the year ended December 31, 2020 (\$7,418 for 2019).

CORNING MUNICIPAL UTILITIES
Notes to Financial Statements
December 31, 2020 and 2019

NOTE N - COMMITMENTS AND CONTINGENCIES - Continued

Purchase of Gas

In 2008, the Utilities entered into a purchase commitment to purchase all gas requirements from Interstate Municipal Gas Agency. This contract expires July 31, 2027.

Subsequent Events

The Utilities has evaluated all subsequent events through April 28, 2021, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CORNING MUNICIPAL UTILITIES
Budgetary Comparison Schedule
Year Ended December 31, 2020

Required Supplementary Information

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for depreciation and net position differently for financial statement and budget purposes.

	Per Financial Statements			Budget	Combined
	Electric	Water	Gas	Adjustments	Utilities
Revenues	\$ 1,818,775	\$ 1,075,469	\$ 662,124	\$ --	\$ 3,556,368
Expenses	<u>1,407,351</u>	<u>939,075</u>	<u>610,115</u>	<u>(375,306)</u>	<u>2,581,235</u>
Net	411,424	136,394	52,009	375,306	975,133
Balance beginning of year	<u>6,746,072</u>	<u>2,031,119</u>	<u>1,308,901</u>	<u>(7,187,587)</u>	<u>2,898,505</u>
Balance end of year	<u>\$ 7,157,496</u>	<u>\$ 2,167,513</u>	<u>\$ 1,360,910</u>	<u>\$(6,812,281)</u>	<u>\$ 3,873,638</u>

	Budget	Budget	Variance
	Basis	Budget	Favorable (Unfavorable)
Revenues	\$ 3,556,368	\$ 3,734,500	\$(178,132)
Expenses	<u>2,581,235</u>	<u>3,573,398</u>	<u>992,163</u>
Net	975,133	161,102	814,031
Balance beginning of year	<u>2,898,505</u>	<u>2,898,505</u>	<u>--</u>
Balance end of year	<u>\$ 3,873,638</u>	<u>\$ 3,059,607</u>	<u>\$ 814,031</u>

See accompanying independent auditor's report.

CORNING MUNICIPAL UTILITIES
Schedule of the Utilities' Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
Utilities' proportion of the net pension liability	0.006394%	0.005849%
Utilities' proportionate share of the net pension liability	\$ 370,300	\$ 370,100
Utilities' covered payroll	\$ 518,000	\$ 460,000
Utilities' proportionate share of the net pension liability as a percentage of its covered payroll	71.49%	80.46%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

In accordance with GASB Statement No. 68, the amounts presented for each year were determined as of the preceding year-end.

Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.005828%	0.005221%	0.005573%	0.005572%
\$ 388,200	\$ 328,600	\$ 275,300	\$ 275,316
\$ 426,000	\$ 411,000	\$ 343,000	\$ 377,000
91.13%	79.95%	80.26%	73.03%
82.21%	81.82%	85.19%	87.61%

CORNING MUNICIPAL UTILITIES
Schedule of Utilities' Contributions

Iowa Public Employees' Retirement System
For the Last Seven Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 46,000	\$ 49,000
Contributions in relation to the statutorily required contribution	<u>(46,000)</u>	<u>(49,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
Utilities' covered payroll	\$ 491,000	\$ 518,000
Contributions as a percentage of covered payroll	9.37%	9.46%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 42,000	\$ 38,000	\$ 36,000	\$ 37,000	\$ 31,000
<u>(42,000)</u>	<u>(38,000)</u>	<u>(36,000)</u>	<u>(37,000)</u>	<u>(31,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 460,000	\$ 426,000	\$ 411,000	\$ 343,000	\$ 377,000
9.13%	8.93%	8.76%	10.79%	8.22%

CORNING MUNICIPAL UTILITIES
Notes to Required Supplementary Information - Pension Liability
Year Ended December 31, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Corning Municipal Utilities
Corning, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Corning Municipal Utilities as of and for the years ended December 31, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated April 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corning Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Corning Municipal Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Utilities' financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

To the Board of Trustees
Corning Municipal Utilities

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

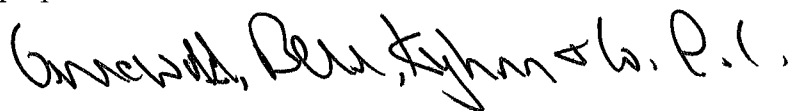
Comments involving statutory and other legal matters about the Utilities' operations for the year ended December 31, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

Corning Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Corning Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa
April 28, 2021

CORNING MUNICIPAL UTILITIES
Schedule of Findings and Responses
Year ended December 31, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Utilities' financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Utilities has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Utilities' ability to prevent or detect and correct misstatements, error or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Utilities to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Utilities to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

CORNING MUNICIPAL UTILITIES
Schedule of Findings and Responses - Continued
Year ended December 31, 2020

PART II - REQUIRED STATUTORY REPORTING

20-II-A Certified Budget: Disbursements during the year ended December 31, 2020 did not exceed amounts budgeted.

20-II-B Questionable Expenditures: During the audit, we noted no expenditures of the Utilities' funds without proper documentation of public purpose.

20-II-C Travel Expense: No expenditures of Utilities' money for travel expenses of spouses of Utilities' officials and/or employees were noted.

20-II-D Business Transactions: The business transactions, which came to our attention during the course of our audit between the Utilities and the Utilities' officials and/or employees, are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Total Transactions</u>
Scott Akin (Trustee), Part Owner Akin Ltd.	Materials and supplies	\$ <u>1,235</u>

In accordance with Chapter 362.5(3) of the Code of Iowa, the transactions with Scott Akin (Trustee) do not appear to represent conflicts of interest since total transactions were less than \$6,000 during the fiscal year.

20-II-E Restricted Donor Activity: No transactions were noted between the Utilities, Utilities officials, Utilities employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-II-F Bond Coverage: Surety bond coverage of the Utilities' officials and employees appears to be in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

20-II-G Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

20-II-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utilities' investment policy.

20-II-I Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.

CORNING MUNICIPAL UTILITIES
Schedule of Findings and Responses - Continued
Year ended December 31, 2020

PART II - REQUIRED STATUTORY REPORTING - Continued

20-II-J Economic Development: During the year ended December 31, 2020, the Utilities paid \$33,000 to the Adams Community Economic Development Corporation. The Utilities Board has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Board should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

* * *